

Message Text

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PAGE 01 STATE 065764
ORIGIN ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 OMB-01 L-03 IO-13 /071 R

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EXIM - MR. KINGSLEY (INFO)
ARA/ECP - MR. WIEDEMANN (INFO)
EB/ORF - MR. MILAM
-----112520 150304Z /17
P 150048Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY LIMA PRIORITY

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E.O. 11652: N/A

TAGS: EFIN, PE

SUBJECT: 260 MILLION DOLLAR BALANCE-OF-PAYMENTS LOAN TO
PERU DELAYED

REFS: A) LIMA 2152; B) STATE 061223

1. KAREN DEYOUNG'S STORY ON PERUVIAN FINANCIAL CRISIS
(REF. A) APPEARED IN WASHINGTON POST MARCH 14, IS BEING
REPEATED BY USIS WIRELESS. CONTAINS STATEMENT THAT
SYNDICATE OF INTERNATIONAL BANKS (REF. B) TENTATIVELY
TURNED DOWN LAST-DITCH PERUVIAN PROPOSAL TO REFINANCE \$306
MILLION PERU IS SUPPOSED TO PAY THEM THIS YEAR". IN
RESPONSE TO INQUIRY BY DEPARTMENT, REPRESENTATIVE OF A LEAD
BANK DENIED THIS.

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2. REPRESENTATIVE HOWEVER EXPLAINED BANKS HAD LEARNED THAT
PERU WAS IN GENERAL VIOLATION OF COMMITMENTS OF IMF STANDBY
AGREEMENT, THAT THEY UNDERSTAND IMF NOT WILLING TO DISBURSE
SECOND DRAWDOWN UNDER STANDBY UNTIL GOP MOVES TO MEET
TARGETS, AND THAT THERE IS LITTLE INDICATION GOVERNMENT IS
TAKING STEPS TO DO SO. BANKS' FAITH HAS BEEN SHAKEN IN PRIOR

GOP ASSURANCES GIVEN AS WELL AS IN INFORMATION AND PROJECTIONS MADE, ON BASIS OF WHICH BANKS PREVIOUSLY WERE WILLING TO CONSIDER BALPA LOAN. BANKS NOW WAITING FOR COMPLETION

OF FURTHER REVIEW OF GOP PERFORMANCE BY FUND WHICH THEY SAY WILL TAKE PLACE BY MARCH 31.

3. SHOULD PERU QUALIFY FOR SECOND DRAWDOWN UNDER STANDBY, SYNDICATE WILL PROCEED WITH LOAN. IT HAS NOT HOWEVER DECIDED ON THE ESCROW ACCOUNT ARRANGEMENT DESCRIBED REF. A. SOME LEAD BANKS ARE CONCERNED THAT SUCH ACCOUNT COULD GET TIED UP IN COURTS ON CLAIMS BY THIRD PARTY CREDITORS. THESE BANKS WOULD PREFER AN ACCOUNT INTO WHICH PARTICIPATING BANKS WOULD PUT UP THEIR SHARE OF FUNDING ONLY ON DATE A PERUVIAN OBLIGATION TO THEM MATURES; BANKS THEN WOULD IMMEDIATELY DRAW DOWN THAT MONEY.

4. BANK REPRESENTATIVE ALSO SAID THAT ESTIMATE OF MANUFACTURERS HANOVER, CHAIRMAN OF SYNDICATE STEERING COMMITTEE, WAS THAT PERU HAD ENOUGH FUNDING NOW TO GET THROUGH TO END OF APRIL WITHOUT DEFAULT BUT NOT BEYOND. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, FINANCIAL CRISIS, BANK LOANS, BALANCE OF PAYMENTS, IMF DRAWING RIGHTS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE065764
Document Source: CORE
Document Unique ID: 00
Drafter: ASCFULLER
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780114-0401
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780365/aaaacczd.tel
Line Count: 83
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d746cec6-c288-dd11-92da-001cc4696bcc
Office: ORIGIN ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 LIMA 2152, 78 STATE 61223
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3322913
Secure: OPEN
Status: NATIVE
Subject: 260 MILLION DOLLAR BALANCE-OF-PAYMENTS LOAN TO PERU DELAYED
TAGS: EFIN, SOPN, PE, IMF
To: LIMA
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/d746cec6-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014